

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Agriculture
Illinois State Fair
Two Years Ended September 30, 2003

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**REVIEW: 4214
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
TWO YEARS ENDED SEPTEMBER 30, 2003**

FINDINGS/RECOMMENDATIONS - 10

IMPLEMENTED – 2

ACCEPTED – 8

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 3

This review summarizes an audit of the Department of Agriculture, Illinois State Fair, for the two years ended September 30, 2003, filed with the Legislative Audit Commission April 20, 2004. The auditors performed a compliance audit in accordance with Government Auditing Standards and State law.

The State Fair is an operating entity of the Department of Agriculture. The Department is responsible for fulfilling the statutory obligation to hold the annual Illinois State Fair. The Fair is held to promote agriculture and the agriculture industry, and to provide for exhibits and activities in the field of industry, education, arts and crafts, labor, entertainment, and other areas of interest. The Director of the Department of Agriculture is Mr. Chuck Hartke. Director Hartke was appointed in April 2003. The Fair manager during the last nine months of the audit period was Mr. Mark Kolaz. Neither Director Hartke nor Mr. Kolaz was previously employed by the Department of Agriculture. Mr. Kolaz is no longer with the Department. The Acting Interim Manager of the State Fair is Amy Bleifnick.

The number of full-time employees was:

Full-Time Employees	2003	2002	2001
Administration	5	5	6
Competitive Events	1	1	1
Fair Activities	3	3	3
Total	9	9	10

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The number of temporary employees was:

Temporary Employees	September thru May	June	July thru August
State Fair:			
2003	13	36	116
2002	5	46	177
2001	10	44	158
Bureau of Bldgs & Grounds:			
2003	31	51	314
2002	5	40	307
2001	14	44	307

Shown below is a summary of attendance, tickets sold, and number of contracts issued (unaudited) at the Illinois State Fair.

	2003	2002	2001
Estimated attendance	725,000	1,264,750	1,130,000
Gate admission – tickets	252,201	258,236	257,104
Grandstand shows – tickets	40,850	42,292	38,978
Number of contracts	565	625	550

According to the audit report, Fair officials calculated the estimated attendance for 2003 and previous years on actual numbers for grandstand attendance, concessionaires, exhibitors and governmental employees. Further estimates were based on vehicles parked on the fair grounds and perimeter; Illinois State Police and State Fire Marshal crowd estimations based on their respective observations and experience; past fairs' experiences for a particular day; and revenue generated.

Financial Information

The Illinois State Fair uses a September 30 fiscal year in order to better match transactions to the activities of a given State Fair. Revenues and expenditures are based on a Fair year, October 1 to September 30, and contain activity from more than one State fiscal year. For example, revenues and expenditures for 2002 are for the Fair held in August 2002, but consist of activity from the State fiscal years 2002 and 2003.

Appendix A contains a summary of the revenues and expenditures for FY03 through FY01. Appendix A compares current Fair revenues to current Fair expenditures. As shown in the table, the Fair experienced a deficiency in all years, \$3.2 million in FY03, \$4.8 million in FY02, and \$4.9 million in FY01. Expenditures for FY03 were \$7.1 million, which is 16% less than FY02. The decrease in expenditures was due largely to budget cuts. Extra help

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fell by 35.1%; contractual services fell by 20.3%; promotions decreased 74%; and awards and premiums decreased by 32.7%

Appendix B provides a summary of revenues for the same fiscal years. Total revenue increased from \$3,633,450 in FY02 to \$3,853,851 in FY03. Despite a huge difference in attendance between 2002 and 2003, revenues increased 6%, or \$220,401.

Pari-Mutuel Wagering

The State contracted with Maywood Park Trotting Association to conduct the pari-mutuel wagering operations at the State Fair. Maywood collected receipts and paid expenditures associated with pari-mutuel wagering. The State Fair paid Maywood \$77,871, \$88,725, and \$74,323 for losses on the 2003, 2002 and 2001 contracts, respectively. These costs were paid from the GRF appropriation "Promotion of County Fairs and Horseracing".

Grandstand Shows

Ticket sales increased slightly from \$819,009 in FY01 to \$836,266 in FY02 to \$850,721 in FY03. While sales increased, expenditures topped revenues by \$371,941 in FY01, \$186,533 in FY02, and \$448,403 in FY03.

Competitive Events

The cost of competitive events also continued to outpace entry fees in FY03 by a ratio of about 8:1. The deficiency of revenues compared to expenses was \$752,356 in FY03; approximately \$1 million in FY02; and about \$1.4 million in FY01.

Accountants' Findings and Recommendations

Condensed below are the 10 findings and recommendations presented in the audit report. Two were repeated from prior audits. The following recommendations are classified on the basis of updated information provided by Laura Lanterman, Chief Fiscal Officer, Department of Agriculture, via electronic mail received October 22, 2004.

Accepted or Implemented

- 1. Establish internal controls at the Grandstand Ticket Office documenting all deposits made on behalf of others and reconcile cash receipts to deposits and to contractor records. (Repeated-2001)**

Accepted or Implemented – continued

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Findings: The Grandstand Ticket Office did not maintain adequate control of cash receipts. The auditors noted the following:

- The Ticket Office failed to maintain adequate records for cash deposits made for a lessee of \$112,073 and \$107,768 for 2003 and 2002, respectively. The Office did not consistently retain bank deposit receipts for the cash directly deposited into the lessee's bank account.
- Although daily cash drawer reconciliations were performed and a cumulative cash receipts ledger was maintained, the total amount of box office ticket sales recorded in the ledger were not reconciled with the contractor's sales reports and the total amount deposited.
- The Ticket Office uses a contractor to make sales through outside locations and collects money for grandstand events. The remittances received from that contractor were not reviewed for accuracy or propriety. When the auditors requested Ticket Office personnel reconcile the amount received, the amount received was not accurate. The contractor had also inappropriately offset the amount due the Office with two invoices owed by the Department to the contractor. The contractor had also erroneously deducted \$2,200.38 from that payment for an amount due from an unrelated party.

Response: The Grandstand Manager kept a copy of the deposit slip after depositing the lessee's money. The receipt received from the bank was stapled to the copy and given to the lessee. In the future, grandstand personnel will keep a copy of the deposit slip, along with a bank receipt, displaying the amount deposited.

A ledger was kept on all sales, but reconciliation was not performed on the total tickets sold to reflect the final contractor's audit numbers. This procedure (daily audit) has been done in the past and will become policy beginning in 2004.

The amount of \$2,200.38 was deducted from a State Fair payment off the week of July 14. The Grandstand Manager was unaware of this situation until it was brought to her attention by an auditor. Upon speaking to the vendor regarding this issue, it was discovered that these monies were erroneously deducted from an ISF payment to reconcile a bill dating back to the 2002 DuQuoin State Fair. The vendor is currently processing a reimbursement payment to the ISF for this amount. In order to prevent this from reoccurring, all checks from the vendor will be reviewed and reconciled back to the vendor report by the Grandstand Manager prior to deposit (this error occurred due to an oversight by the grandstand summer help supervisor).

Updated Response: The Grandstand Manager now keeps a copy of the bank receipt for deposits made on the lessee's behalf. It is attached to the deposit ticket copy. In addition to the daily reconciliation, a total reconciliation is prepared. The Grandstand Manager reviews all checks received before they are deposited to make sure the amounts are accurate.

- 2. Deposit receipts in excess of \$10,000, on the same day received, in accordance with State law. If the Department determines it is economically unfeasible to**

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comply with the Act, request a one-day extension of time for Fair deposits exceeding \$10,000 from the State Treasurer and Comptroller. (Repeated-1999)

Findings: Non-fair space rental receipts in excess of \$10,000 were not deposited in a timely manner. Fifteen of 18 receipts tested were deposited the day after instead of the day of receipt.

Updated Response: The Department checked with the Treasurer's office on what is necessary to be granted an extension on depositing items in excess of \$10,000. The Department learned that an extension may be granted for no longer than 30 days. Because Non-fair receives money year round, this is not a feasible solution. The Agency is coordinating with Non-fair to ensure that items in excess of \$10,000 received before 2:00 in the afternoon are deposited the same day.

3. Develop and implement control procedures and adequately train campground personnel to ensure all revenue due from campground permits is received.

Findings: The Department issued 609 camping permits totaling \$83,053 for the 2003 Fair, and 907 camping permits totaling \$72,385 for the 2002 Fair. Camping permits ranged from \$10 to \$25 per day. The auditors noted the following:

- The Department did not monitor campers for valid permits. Eight of 34 permits tested on one day were expired, and five of 27 permits tested another day expired. Eleven of 150 campers tested did not have their permits posted, and 17 of 150 campers tested on another day did not have their permits posted.
- The Department did not issue new permits for additional days purchased by campers. The Department used post-it notes to record extended permits and altered the original permit by circling additional days instead of issuing a new permit for the additional days.

Fair officials indicated the lack of controls was due to changes in campground supervisor personnel and inadequate training of the new personnel.

Updated Response: Accepted. The Department issues new permits for additional days purchased by campers. The Department also monitors campers more closely to ensure that valid permits are displayed. However, the number of camping spaces on the grounds makes constant monitoring prohibitive.

4. Develop and implement procedures to ensure vendors are in compliance with space rental contract terms.

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Findings: During the audit period, the auditors tested a sample of 25 space rental vendors and made several ours of the fairgrounds. The auditors noted the Department did not have controls in place to monitor vendors to ensure they were within the space allotted in their contract and that they had a valid contract.

- One vendor did not have its contract posted. This vendor paid for 10 feet of space, but was actually using 18 feet of space.
- One vendor assigned its exhibit space to another party.
- Nineteen vendors who had valid contracts did not have them posted as required.

Fair officials said they were unaware of these oversights.

Updated Response: Accepted. Measures have already been taken to assure that future contractual agreements are in compliance with allotted space size and that contractual agreements are not sublet to another party. We will also make certain that contract cards are posted in exhibit space as noted under the vendors' contractual agreement.

The Department attempts to monitor vendors more closely. Again, sheer numbers make constant monitoring virtually impossible.

5. Review and develop procedures to strengthen controls over temporary employee payroll.

Findings: The Department employed 345 temporary employees and paid them \$426,853 during the month of August, for the 2003 Fair. The auditors noted the following problems and weaknesses in time reporting for temporary employees:

- Thirty-seven of 207 temporary employees used time clocks that printed the wrong date when the employee "punched in" or "punched out".
- 138 temporary employees were not required to use a time clock. There was not written documentation of when those employees began and ended their workday. The supervisor for those areas kept track of the time for all such employees.
- There was no procedure requiring employees to sign their time cards or the timesheets prepared by the supervisors to certify correctness.
- Temporary employees used one time card for the entire Fair instead of using a new card each pay period.
- For the pay period of August 16 through August 31, 2003, payroll personnel made changes to 52 daily time sheets with no notation or documentation. The changes resulted in a net increase of more than 200 hours and \$1,348 in wages.

Department personnel stated that time clocks were not tested prior to commencement of the Fair. They also noted that there were several new supervisory employees who were not familiar with procedures.

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Updated Response: Implemented. Any temporary employee who does not have access to a time clock will be required to sign in and out on a timesheet, under direct supervision in their respective areas. Timesheet documentation will verify start and end times, total hours worked and any unforeseen changes that may have occurred in an employee's work shift will be noted. The supervisor and the employee, prior to submission for payment, will sign time cards and timesheets. Employees will also be required to utilize a new card each day.

Procedures for modifying temporary employee time keeping have been implemented as agreed by the Department.

6. Develop procedures to perform criminal background investigations for all Illinois State Fair temporary employee applicants prior to employment.

Findings: During the 2003 Illinois State Fair, the Human Resource Department processed over 200 applicants. After the employees started work, criminal background investigations for all applicants were requested from the State Police. Forty-nine of the new employees were fired once the criminal background investigation results were received.

Updated Response: Accepted. The Department recognized that background checks were not performed until after the employees had begun work for the 2003 Illinois State Fair. Furthermore, the Department has already discussed this issue with the Illinois State Police and has developed a system to ensure that background investigations for the 2004 Illinois State Fair employees are conducted prior to hire.

The Department is now hiring temporary employees sooner, prior to the fair to permit completion of background checks prior to beginning of employment. During the Fair, it is much harder to have background checks completed when hiring last minute replacement employees.

7. Develop procedures to review contracts prior to execution to ensure proof of insurance is provided.

Findings: During the fiscal year ended September 30, 2003, the Department entered into contractual agreements with vendors to provide services at the Fair. Four of the 11 contracts tested did not provide proof of insurance as required by the terms of the contracts.

Accepted or Implemented - concluded

Updated Response: Implemented. The Agency is requiring that every vendor provide proof of insurance.

8. **Initiate and reduce contracts to writing in a timely manner in order to avoid delays in receiving services necessary for Fair operations and to avoid incurring liability without a proper contract. In those instances where contracts cannot be reduced to writing before services begin, file the appropriate affidavit as required by SAMS procedure.**

Findings: During the fiscal year ended September 30, 2003, the Department entered into contractual agreements with vendors to provide services at the Fair. Five of the 25 contracts tested had not been signed before the earliest date of service allowed by the contract terms. The Department prepared two of five affidavits; however, one was not prepared until November 3, 2003 for services performed on August 13, 2003.

Updated Response: The Agency is making every effort to ensure that all contracts are in writing.

9. **Approve for payment only invoice vouchers that are accompanied by proper documentation.**

Findings: The Ticket Office made a payment of \$20,000 to a vendor contracted to manage the ticket sales for grandstand events. The contract terms call for the vendor to be paid a per ticket fee for box office sales and a percentage of outside sales. There was no documentation to support the amount paid to the vendor.

Updated Response: The Department made the final payment to the vendor for \$20,000. Documentation was not included with the Obligation Document. The invoiced amount was put in the system on 9-17-2004. The Grandstand Manager contacted the vendor and had them resend the invoice. Internal Audit was apprised of this situation. We concur with this finding, and General Services contracts will not be paid until the Fair has received an invoice.

The Agency is no longer paying vendors without proper documentation.

10. **Schedule and conduct meetings of the Board of State Fair Advisors in order to provide the Department advisement on matters concerning Fair operations, as required by law.**

Findings: The State Fair Act creates a Board of Advisors consisting of 20 people. The duties of the Board are to advise the Director and Department on matters concerning the operation of each State Fair and State Fairgrounds. The Board last met on November 20, 2001. Department personnel stated the terms of the members of the Board had expired and the Governor had not appointed replacements.

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Updated Response: Accepted. Although the State Fair Act does not specify when or how many meeting must be held with the Board of State Fair Advisors, the Department recognized that a meeting with the Board was not held prior to the 2003 Illinois State Fair. However, planning is already underway to schedule periodic meetings with the Board prior to the 2004 Illinois State Fair.

The State Fair Board met October 29, 2003 and May 3, 2004 and will continue to meet on a regular basis.